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~~CONFIDENTIAL~~

### Talking Points

If PRC officials raise the "Yin He" matter you should reiterate the following points already communicated by Embassy Beijing:

- o President Clinton is personally committed to engaging with China and to pursuing a relationship with a strategic dimension. Cooperation on nonproliferation is a vital aspect of this strategic dimension.

- o Our inspection of the "Yin He" was a cooperative effort which we undertook in good faith in the light of our shared concern about the proliferation of chemical weapons.

- o We can assure you that we believed there were credible grounds for proceeding with an investigation and an inspection.

- o It is unfortunate that the "Yin He" was delayed but our concerns were significant enough that we believed the matter needed to be resolved.

- o We regret that the Chinese Government has chosen to treat this question negatively. The joint inspection of the "Yin He" was a dramatic example of U. S. - Chinese cooperation to advance a goal to which both our governments are strongly committed.


- o Rather than engage in recrimination, we believe we should build on this episode to enable us to work together in the future in advancing global nonproliferation norms.

- o The cargo inspection was conducted on a consensual basis and the United States affirmed repeatedly that we would not accept any liability for the inspection's costs regardless of the outcome. The U. S. satisfied all of its obligations agreed during the preparations for the inspection, including promptly notifying states in the region of the results of the cargo inspection.

- o We hope to continue working with you in the future on nonproliferation issues of mutual concern. As original signatories of

the chemical weapons convention, we share an interest in working together to eliminate these weapons worldwide.

## NUCLEAR TESTING



- While we are talking about proliferation, let me make some comments on nuclear testing.
- Last July, after a careful review, President Clinton decided to halt our nuclear test program and urged the other nuclear powers to do the same. Although we had plans for a series of tests, he decided that, on balance, the benefits of such tests would be outweighed by the damage they would do in undercutting our priority objective of curbing nuclear weapon proliferation.
- A key factor is the perceived relationship between nuclear testing and the nuclear Nonproliferation Treaty (NPT), which we consider to be the cornerstone of the global nonproliferation effort. In early 1995 the NPT parties will decide by majority vote whether to approve unlimited extension of that treaty. The United States strongly advocates unlimited extension, since limited extension would create uncertainty about the future of the nonproliferation regime. In fact, we think this question should not be linked to any other measure or condition. Nevertheless, we recognize that many other NPT parties think that a nuclear test ban treaty should be a requirement for long-term extension of the Nonproliferation Treaty.
- We believe an important element of seeking majority support for long-term NPT extension is a moratorium on testing during the test ban negotiations. Accordingly, the United States is urging all states to refrain from nuclear testing.
- I was glad to hear that China intends to participate fully in the comprehensive test ban treaty negotiations. The world is waiting to see what can be negotiated in this area. In the meantime, I hope China will join the United States and the other nuclear powers in refraining from further testing.

## SANCTIONS (CONTINGENCY)

- We realize that munitions list sanctions have remained since Tiananmen. We know that both of us would like to have these sanctions lifted as soon as possible. I know that this is something on which we have to make a decision.
- Unfortunately, this decision is not available by the time my trip to China began.
- However, as you have heard, our export control policy is being liberalized so that China can take advantage of higher levels of technology transfer. For your country's modernization, dual-use technology is much more important than munitions technology.
- We also took a major step in the same direction by releasing all your FMS goods and refunding excess money back in January.

*(You will hear the Chinese complain about the FMS suspension and how they were given back useless equipment and lost millions of dollars. The answer is that this was done in accordance with U.S. FMS law clearly understood by all customers, and in accordance with an agreement we reached in Beijing where we promised each other to put this matter behind us so that we could look forward to a future military relationship.)*

- As for the M-11 sanctions, I have already addressed that. What is needed is immediate consultation on the waiver conditions. I believe that these conditions can be met fairly easily met by China, but we should begin the process as quickly as possible so that you can continue your satellite launch projects without interruptions.
- Assistant Secretary Gallucci is ready to schedule such consultations at a mutually convenient time.

## F-16/TAIWAN (CONTINGENCY)

- Our policy towards the People's Republic of China is guided by the three communiqués. This has been reaffirmed by President Clinton.
- You know of course that we also have a law of the land passed by Congress called the Taiwan Relations Act.
- In the past ten years, we have maintained our arms sales policy towards Taiwan by adhering both to the three communiqués and to the Taiwan Relations Act.
- The ultimate objective of our policy is to maintain a peaceful and stable environment in the Taiwan Strait. Our assessment is that the environment is now very favorable and has contributed to a great reduction of tension across the Strait. I think you would agree with that.
- We are heartened by the amount of trade and contact between Beijing and Taipei. It is our belief that a more self-confident Taiwan is more willing to deal with you, and that has resulted in the good relations between Taiwan and you today.
- We believe we have abided by the August Communique in our arms sales to Taiwan, and the F-16 was a replacement for antiquated aircraft which in our view was in accordance with the August Communique and actually contributed to the stability in the Strait. It is a defensive aircraft which is less capable than the Mirage—armed with offensive munitions—sold to Taiwan by France. France decided to sell the Mirage before the F-16 is approved, so the argument that our F-16 sale led to the French sale has no basis.
- It is not our arms sales to Taiwan that would cause problems for you in your relations with Taiwan, but it is other developments beyond our control. As Taiwan prospers and democraticizes, how you deal with Taiwan—and how we deal with Taiwan—are going to have to change. For example, Taiwan's interest to enter the UN has absolutely nothing to do with the United States, but everything to do with Taiwan's internal politics. Your White Paper, in my personal view, does not account for the new political realities on Taiwan.
- In summary, it is up to you to determine how you conduct your relations with Taiwan. But you should be assured that our objective of assuring peace in the Taiwan Strait is the same as yours.
- (other) Harpoon is a defensive weapon from the 1970s, and Modified Air Defense System (MADS) is not the Patriot—we are not selling the Patriot to Taiwan.

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# TALKING POINTS

- The USG welcomes the opportunity to discuss trade policy and counterproliferation issues with the government of the People's Republic of China. We believe that it is in our mutual interest to develop and continue an open dialogue on the issues we confront in attempting to further our economic and security interests.

- As I am sure you are aware, President Clinton recently announced a "national export strategy" which reaffirmed his commitment toward advancing our business and economic interests. The strategy contains a number of far-reaching changes to current U.S. export controls, most notably in the areas of digital computers.

- We are continuing to review both unilateral export policy issues, and, in conjunction with our international partners, the multilateral controls imposed by the various nonproliferation regimes. Included in this initiative is the ongoing effort to reform COCOM.

- It must be emphasized, however, that we will continue to control exports to countries against which the U.S. has an embargo, or which present a significant threat of terrorism or proliferation. We feel that reducing control levels on items that are widely available worldwide improves our ability to persuade other suppliers to maintain effective controls on items of proliferation concern. Export control reform complements our nonproliferation efforts.

- We are prepared to discuss with you today the specifics of export policy issues you may desire to address.